

**EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2018

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Member

American Institute of
Certified Public Accountants
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Alcide J. Tervalon, Jr., CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of **Edgar P. Harney Spirit of Excellence Academy, Inc. (the School)** (a nonprofit organization) which comprise the **School's** statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

INDEPENDENT AUDITORS' REPORT

CONTINUED

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana
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Auditors' Responsibility, continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of **Edgar P. Harney Spirit of Excellence Academy, Inc.** as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the School's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that **the School** will continue as a going concern. As discussed in NOTE 16 to the financial statements, **the School**, in a meeting of its Board of Directors on December 7, 2018, voted to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. Management's evaluation of the events and conditions and management's plans regarding this matter is further described in NOTE 16. The financial statements do not include any adjustments that might result from the outcome of this matter. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITORS' REPORT
CONTINUED

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana
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Other Matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Officer is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 on our consideration of **the School's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the School's** internal control over financial reporting and compliance.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 27, 2018

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Cash and cash equivalents - unrestricted	\$ 211,742
Cash and cash equivalents - restricted (NOTE 13)	22,932
Grant receivable (NOTES 2 and 6)	459
Accounts receivable	9,184
Prepaid expenses (NOTE 7)	46,473
Other assets	6,854
Capital assets, net (NOTES 2 and 8)	<u>1,521</u>

Total assets	\$ <u>299,165</u>
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LIABILITIES AND NET ASSETS

Liabilities:

Accrued liabilities	\$ 170,574
Compensated absences (NOTE 2)	30,585
Amounts held for others (NOTE 13)	<u>22,932</u>

Total liabilities	<u>224,091</u>
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Net assets:

Unrestricted net assets (NOTE 2)	<u>75,074</u>
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Total net assets	<u>75,074</u>
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Total liabilities and net assets	\$ <u>299,165</u>
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The accompanying notes are an integral part of these financial statements.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

REVENUES

Local sources:

Local Minimum Foundation Program (NOTES 2, 4 and 12)	\$ 1,611,549
Contributions and donations (NOTE 2)	20,000
Other	<u>15,478</u>

Total local sources	<u>1,647,027</u>
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State sources:

State Minimum Foundation Program (NOTES 2, 4 and 12)	1,358,727
Grants (NOTE 4)	<u>32,079</u>

Total state sources	<u>1,390,806</u>
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Federal sources:

Grants (NOTE 4)	<u>233,227</u>
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Total revenues	<u>3,271,060</u>
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EXPENSES

Program services	1,638,559
Support services	<u>1,876,858</u>

Total expenses	<u>3,515,417</u>
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Change in net assets	(244,357)
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Net assets - July 1, 2017	<u>319,431</u>
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Net assets - June 30, 2018	<u><u>\$ 75,074</u></u>
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The accompanying notes are an integral part of these financial statements.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	
	<u>Instruction</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,168,301	\$ 691,200	\$ 1,859,501
Employee health and retirement	241,227	141,673	382,900
Payroll taxes	<u>92,038</u>	<u>54,054</u>	<u>146,092</u>
Total salaries and related expenses	1,501,566	886,927	2,388,493
Purchased professional and technical services	41,730	261,386	303,116
Purchased property services	-	104,327	104,327
Student transportation services	-	327,680	327,680
Food service management	-	4,470	4,470
Insurance	-	67,883	67,883
Communications	-	16,989	16,989
Materials and supplies	39,839	13,226	53,065
Utilities	-	72,434	72,434
Books and periodicals	55,424	-	55,424
Administrative fees	-	75,004	75,004
Depreciation	-	13,477	13,477
Other	<u>-</u>	<u>33,055</u>	<u>33,055</u>
	<u>\$ 1,638,559</u>	<u>\$ 1,876,858</u>	<u>\$ 3,515,417</u>

The accompanying notes are an integral part of these financial statements.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (244,357)
Adjustments to reconcile change in net assets to cash used by operating activities:	
Depreciation expense	13,477
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants receivable	55,355
Accounts receivable	114
Prepaid expenses	(14,970)
Increase (decrease) in:	
Accounts payable	(68,061)
Accrued liabilities	(77,889)
Compensated absences	10,705
Amounts held for others	<u>1,208</u>
Net cash used by operating activities	<u>(324,418)</u>
Net decrease in cash and cash equivalents	(324,418)
Cash and cash equivalents, beginning of year	<u>559,092</u>
Cash and cash equivalents, end of year	<u>\$ 234,674</u>

The accompanying notes are an integral part of these financial statements.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION:

Edgar P. Harney Spirit of Excellence Academy, Inc. (the School) was organized as a non-profit corporation under the laws of the State of Louisiana on August 29, 2007. The corporation is organized exclusively for charitable and educational purposes. **The School's** mission is to create and maintain an orderly, trusting environment where teaching and learning are innovative and exciting, where students are taught to read, write, compute, and think critically according to their fullest potential.

Effective July 1, 2010, **the School** entered into a charter school contract with the Louisiana State Board of Elementary Education (BESE) to operate a Type 5 public charter school in the Louisiana Recovery School District as defined in LSA R.S. 17:3992 and 3998. The charter school contract was subsequently renewed and was scheduled to terminate on June 30, 2019. However, in a meeting of **the School's** Board of Directors, the Board voted to surrender its charter to the OPSB effective January 7, 2019. See NOTE 16.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The School prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Financial statement presentation follows the guidance of FASB ASC 958-205, *Financial Statements of Not-for-Profits Organization*. Under FASB ASC 958-205, **the School** is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Financial Statement Presentation, Continued

Unrestricted - Support, revenues, and expenses for the general operation of **the School**.

Temporarily Restricted - Contributions specifically authorized by the donor to be used for a certain purpose or to benefit a specific period.

Permanently Restricted - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by **the School**. Generally, the donors of these assets permit **the School** to use all or part of the income derived from the investment of these contributions.

At June 30, 2018, **the School** had no temporary or permanently restricted net assets.

Public Support and Revenue

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State of Louisiana and the Orleans Parish School Board. **The School** received \$1,358,727 from the State and \$1,611,549 from the Orleans Parish School Board based upon eligible students at the official pupil count date of October 1st and February 1st, payable in monthly installments. State and federal grants are on a cost reimbursement basis.

Cash and Cash Equivalents

For purposes of reporting the Statement of Cash Flows, **the School** considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

Capital Assets

Capital assets, which include property, equipment, and intangible assets (contractual agreement), are reported at historical cost or estimated cost. Donated assets are recorded at their estimated fair market value at the date of donation. **The School's** policy is to capitalize property and equipment over \$1,000. Repairs and maintenance and small equipment purchases are charged to expense when incurred.

Depreciation expense is recognized using the straight-line method over the estimated useful lives of the assets. Amortization of contractual agreements are recognized using the straight-line method over the lesser of the useful life of the improvement or the remaining term of the lease at the time the improvement is placed in service.

Depreciation and amortization are being recognized over the following periods:

	<u>Years</u>
Office furniture and equipment	5

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Income taxes are not provided for in the financial statements since **the School** is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Should that status be challenged in the future, **the School's** 2015, 2016 and 2017 tax years respectively, are open for examination by the Internal Revenue Service.

Contributions

The School accounts for contributions received and made in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition*. In accordance with FASB ASC 958-605, contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of any donor imposed restrictions.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value for the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Donations of property and equipment are recorded at fair value at the date of donation.

Compensated Absences

Upon completion of the employee trial period, full-time employees are eligible to accrue personal leave, which is paid time off from work. Personal leave may be used for vacation, illness (of employees or family members), or other personal reasons. Personal leave shall be accrued at the rate of one (1) day per month up to ten (10) days a year. Employees may carry forward any unused personal leave to the subsequent year. Employees may not take personal leave that exceeds the amount they have accrued, and employees may not donate personal leave to other employees of **the School**. It is the practice of **the School** that upon separation, employees shall receive compensation of up to ten (10) days of unused personal time accrued.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - FUNCTIONAL ALLOCATION OF EXPENSES:

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying Statement of Activities.

NOTE 4 - CONCENTRATIONS:

At June 30, 2018, **the School** had bank balances totaling \$326,931 on deposit in financial institution located in Louisiana with a carrying value of \$234,674. All of the bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018, **the School** had \$76,931 in uninsured cash balances.

The primary funding sources of **the School** are the Minimum Foundation Program (MFP) funding provided by the state to all public school systems in Louisiana and various direct and pass-through grants from federal and state agencies. If the amount of MFP funds and grants received fall below the expected student count and contract levels, respectively, **the School's** operating results could be adversely affected.

NOTE 5 - RETIREMENT PLAN:

Substantially, all employees of **the School** are members of a safe harbor 403(b) contribution plan. Covered employees may elect to contribute a portion of their salaries to the plan. **The School** matching contribution to the Plan is 100% of the participant's compensation up to 5% and an additional 2% for contributions exceeding 4% of the participant's compensation. **The School** made contributions of \$113,484 to the Plan for the year ended June 30, 2018.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - GRANT RECEIVABLE:

At June 30, 2018, grant receivable consist of amounts due from the following source:

State of Louisiana:	
Professional Improvement Program	\$ <u>459</u>
Total grant receivable	\$ <u>459</u>

NOTE 7 - PREPAID EXPENSES:

Prepaid expenses consist of the following at June 30, 2018:

Health Insurance	\$39,223
Other goods and services for 2018-19	<u>7,250</u>
Total	\$ <u>46,473</u>

NOTE 8 - CAPITAL ASSETS:

Capital assets consist of the following at June 30, 2018:

Capital assets:	
Equipment	\$ <u>78,585</u>
Total capital assets	78,585
Less accumulated depreciation for:	
Equipment	<u>(77,064)</u>
Capital assets, net	\$ <u>1,521</u>

Depreciation expense for the year ended June 30, 2018, totaled \$13,477.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - SCHOOL FACILITIES:

Effective July 1, 2013, **the School** entered into an agreement with the BESE, which allows **the School** to use the school facilities and its contents located at 2503 Willow Street, New Orleans, Louisiana 70113. The agreement expired on June 30, 2015. Subsequently, upon BESE granting an extension, (See NOTE 1) the agreement was scheduled to terminate on June 30, 2019, however in a December 7th meeting of **the School's** Board of Directors voted to surrender **the School's** charter to the OPSB effective January 7, 2019. (See NOTE 16).

Alterations made by **the School** shall not diminish the value of the property at the time the alterations are approved. Any physical additions or improvements to the property will become property of BESE. All assets purchased with public funds obtained from public sources will automatically revert to BESE at the time the charter school agreement is terminated. **The School** must maintain records of all school property in compliance with BESE policy and shall update **the School's** property inventory quarterly.

The School is responsible for repair and replacement of physical property. In addition, **the School** is responsible for and obligated to provide for routine maintenance and repairs such that the facilities and property are maintained in as good condition as when the right of use was acquired, excluding ordinary wear.

Use of the property is not recorded as an in-kind contribution from or related rent expense to BESE. The value of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - CONTINGENCIES:

The School is the recipient of grant funds from various federal and state agencies. The grants are governed by various guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by the grants are under the control and administration of **the School** and are subject to audit and/or review by the applicable funding sources. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

NOTE 11 - RISK MANAGEMENT:

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage for the year ended June 30, 2018.

NOTE 12 - MINIMUM FOUNDATION PROGRAM (MFP):

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in **the School** as of October 1st and February 1st. This state-funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. For the year ended June 30, 2018, **the School** recognized State MFP revenue of \$1,358,727.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - MINIMUM FOUNDATION PROGRAM (MFP), CONTINUED:

The Orleans Parish School Board (OPSB) provides funding to the State of Louisiana collected from local agencies, which pass through to **the School** as Local MFP. Revenues received by OPSB from sales taxes, ad valorem taxes, and other sources are allocated to each school based on its enrollment as of October 1st and February 1st. For the year ended June 30, 2018, **the School** recognized Local MFP revenue of \$1,611,549.

NOTE 13 - AMOUNTS HELD FOR OTHERS:

The School acts as a custodian for student activity accounts. Funds held on behalf of these groups amounted to \$22,932 at June 30, 2018 and is reported as both an asset (restricted cash) and a liability (amounts held for others). Consequently, there is no effect on **the School's** net assets.

NOTE 14 - BOARD OF DIRECTORS' COMPENSATION:

The members of the Board of Directors serve in a voluntary capacity; therefore, no compensation, per diem, or travel allowances were paid to any board member during the year ended June 30, 2018.

NOTE 15 - SUBSEQUENT EVENTS:

The School is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **The School** performed such an evaluation through December 27, 2018, the date which the financial statements were available to be issued, and in a December 7th meeting of **the School's** Board of Directors **the School** voted to surrender its charter to the OPSB which is further discussed in NOTE 16. No other subsequent events or transactions that occurred after the statement of financial position date required disclosure.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 16 - MATTERS OF GOING CONCERN:

The Louisiana Board of Elementary and Secondary Education (BESE) authorized **Edgar P. Harney Spirit of Excellence Academy, Inc.** to operate as a Charter in the Louisiana Recovery School District in 2010. BESE since then has renewed **the School's** contract which is set to expire on June 30, 2019. (See next paragraph) However, **the School** returned to the Orleans Parish School Board's (OPSB) oversight for the 2017-18 school year. Likewise, Louisiana lawmakers approved Act 91 of 2016 to strengthen the OPSB's superintendent's authority to recommend and implement charter approvals, extensions, renewals, closures, monitoring and intervention.

In a meeting of **the School's** Board of Directors on December 7, 2018 the Board voted to surrender the charter to the OPSB effective January 7, 2019. Furthermore, the Board and the OPSB have agreed to work together to transfer **the School** in a manner that will require the least disruption as possible to the students, staff and community. This raises substantial doubt about **the School's** ability to continue as a going concern.

NOTE 17 - OTHER MATTERS:

A Professional Accounting Corporation was engaged to assist in an evaluation of limited areas of focus regarding the finance function of **the School** on behalf of the OPSB. A confidential preliminary report was issued as a result of the limited scope analysis containing several observations. The ultimate outcome and resolution of those observations cannot be determined at this time.

SUPPLEMENTARY INFORMATION

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS
AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2018

Chief Executive Officer: Ms. Aisha M. Jones, CEO/Principal (1/2018 -6/2018)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 45,727
Benefits-insurance	0
Benefits-retirement	952
Benefits-other	0
Car allowance	0
Vehicle provided by entity	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

See Independent Auditors' Report on Supplementary Information.

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS
AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2018

CONTINUED

Chief Executive Officer: Ms. Cressida-Rhodes-Polk, CEO/Principal (7/2017 - 12/2017)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 44,709
Benefits-insurance	0
Benefits-retirement	950
Benefits-other	0
Car allowance	0
Vehicle provided by entity	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

See Independent Auditors' Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Edgar P. Harney Spirit of Excellence Academy, Inc. (the School)** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **the School's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the School's** internal control. Accordingly, we do not express an opinion on the effectiveness of **the School's** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, *Continued*

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana

Internal Control Over Financial Reporting, continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned cost as item 2018-01 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **the School's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **the School's** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the School's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS, *Continued*

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana

Purpose of this Report, continued

Additionally, this report is intended solely for the information and use of management, others within **the School**, the Board of Directors, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 27, 2018

EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF INDEPENDENT AUDITORS’ RESULTS

- A. Type of report issued on the financial statements: **Unmodified.**
- B. Did the audit disclose any material weaknesses in internal control over financial reporting? **Yes.**
- C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **None reported.**
- D. Did the audit disclose any non-compliance which is material to the financial statements? **None reported.**
- E. Did the audit disclose any material weaknesses in internal control over major Federal programs? **Not applicable.**
- F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **Not applicable.**
- G. Type of report issued on compliance for major programs: **Not applicable.**
- H. Did the audit disclose any audit findings required to be reported in accordance with Uniform Guidance? **Not applicable.**
- I. Was a management letter issued? **Yes.**
- J. Identification of major programs: **Not applicable**
- K. Dollar threshold used to distinguish between Type A and Type B programs: **Not applicable.**
- L. Is the auditee a “low-risk” auditee, as defined by Uniform Guidance? **Not applicable.**

**EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-01 – Untimely Submission of Federal Grant Budget Revisions.

Condition

During the course of our audit, we noted that the School incurred significant operating losses during the year ended June 30, 2018 due in part to a reduction in Federal grants. Our discussions with management indicated that the reduction in Federal grant revenues were due primarily to untimely submission of the necessary budget revisions which would permit reimbursement of eligible cost incurred. We did note that approximately \$164,000 was approved as a carryover and added to fiscal year 2019 funding.

Criteria

Grant recipients must submit a post award amendment in order to reallocate funds to address unexpected program changes.

Cause

The School did not submit timely budget revisions in order to reallocate funds to address unexpected program changes.

Effect

The School incurred operating losses due to unreimbursed expenses for eligible costs.

Recommendation

We recommend that post award amendments to grant awards be prepared on a timely basis to ensure reimbursement of eligible grant costs.

Management's Response

The Board of Directors of Edgar P. Harney Spirit of Excellence Academy, Inc. on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

**EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

SECTION I – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION II -FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not Applicable

**EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.
EXIT CONFERENCE**

The audit report was discussed during the course of the audit and at an exit conference held with the management of **the School**. The individuals who participated in those discussions and/or exit conference were as follows:

**EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.**

Pastor Charles J. Southall, III
Ashton J. Ryan, Jr.

Chairman – Board of Directors
Vice-Chairman – Board of Directors

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Alcide J. Tervalon, Jr., CPA
Mr. Armand E. Pinkney

Managing Partner
Engagement Manager



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana

In planning and performing our audit of the financial statements of **Edgar P. Harney Spirit of Excellence Academy, Inc. (the School)** as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered **the School's** internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness on **the School's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **School's** internal control.

During the course of audit, we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated December 27, 2018 contains our report on **the School's** internal control. This letter does not affect our report dated December 27, 2018 on the financial statements of **the School**.

MCL 2018-01 – Internal Controls Over Non-Payroll Check Disbursements

Condition

During the course of our audit, we selected a sample of twenty-seven (27) non-payroll related check disbursements for testing. The results of that testing indicated the following weaknesses in internal control:

- In three (3) instances we were not provided supporting documentation in support of the disbursement amount;
- In seven (7) instances there was no approved check request in support of the disbursement amount; and
- In one (1) instance there was a purchase amount recorded for the incorrect account.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT **CONTINUED**

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 2

MCL 2018-01 – Internal Controls Over Check Disbursements, continued

Criteria

Pursuant to the existing *Accounting Policies and Procedures Manual*:

1. Purchases should be properly authorized and not exceed fund or account balances;
2. Goods and services ordered should be for an appropriate school purpose;
3. Goods and services ordered should be actually received and all goods and services received were ordered;
4. Invoices for goods and services should be correct;
5. Purchase amounts should be recorded in the proper funds, accounts and fiscal year;
6. Disbursements for purchases should be supported by adequate documentation;
7. Checks should be written on a timely basis for the correct amount and made payable to the proper payee; and
8. Documentation supporting disbursements should be cancelled in a manner which will prevent duplicate payment.

Cause

Non-adherence to existing policies contained in *Accounting Policies and Procedures Manual*.

Effect

Disbursement not made in accordance with *Accounting Policies and Procedures Manual*.

Recommendation

We recommend that internal controls over check disbursements be strengthened to address deficiencies noted above.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 3

MCL 2018-01 – Internal Controls Over Check Disbursements, continued

Management's Response and Planned Corrective Action

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 4

MLC 2018-02 – Accounting Policies and Procedures Manual

Condition

The School maintains an *Accounting Policies and Procedures Manual*. We noted however, that many of the policies and procedures are not being followed in the day-to-day operations of **the School**, particularly those involving requirements in *Section 6; – Operating Procedures, Section 7.4; – Bank Reconciliations, and Section 5.5;- Property Acquisition*. Additionally, the *Accounting Policies and Procedures Manual* lacks uniform policies and procedures for the handling of **the School's** credit card.

Criteria

The **School's** Accounting Policies and Procedures Manual provides uniform policies and procedures for the management of student activity and other internal **School** funds.

Cause

Non-adherence to existing policies contained in *Accounting Policies and Procedures Manual*.

Effect

The above noted aspects of the **School's** accounting operations are not being performed in accordance with *Accounting Policies and Procedures Manual*.

Recommendation

We recommend that **the School** adhere to the policies and procedures contained in its *Accounting Policies and Procedures Manual* and, if necessary, the appropriate modifications be made to the manual to conform to current operations.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 5

MLC 2018-02 – Accounting Policies and Procedures Manual, continued

Management's Response and Planned Corrective Action

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 6

MCL 2018-03 - Timeliness of Year-End Close Out

Condition

During the preliminary phases of the audit we experienced delays in the commencement of the audit process due to untimely year-end closeout resulting in delays in our receipt of the year-end financial statements that would be the subject of the audit. We noted that there are no established procedures and related timetable to ensure timely completion of year-end financial reports and other matters.

Criteria

The accounting records should be prepared in an accurate and timely manner to permit the preparation of the financial statements and other monthly reports in a timely manner and ensure the timely completion of the year-end audit.

Cause

Policies regarding the timetable of **the School's** monthly, quarterly and annual financial reports are not contained in *Accounting Policies and Procedures Manual*.

Effect

The audit was impacted by delays in providing year-end financial statements and other related data.

Recommendation

We recommend that **the School** establish a schedule of year-end closing procedures and related timetable for performance of those closing procedures to ensure the timeliness of year-end closeout and preparation of monthly and year-end financial statements.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 7

MCL 2018-03 - Timeliness of Year-End Close Out, continued

Management's Response and Planned Corrective Action

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 8

MLC 2018-04 - Segregation of Duties

Condition

During the course of our audit, we noted that the Finance Department primarily consisted of two (2) individuals during the year-ended June 30, 2018. Those individuals also performed other duties such as Human Resources related functions that are inconsistent with sound internal control.

Criteria

One of the key concepts in internal control over an entity's assets is segregation of duties. Segregation of duties serves two key purposes: It ensures that there is oversight and review to catch errors. It also helps to prevent fraud or theft because it requires two people to collude in order to hide a transaction.

Cause

The size and composition of **the School** and budgetary constraints are the primary reason for lack of segregation of duties.

Effect

There is a lack of a segregation of duties resulting in no independent review of various financial reports and monthly reconciliations by someone other than preparer.

Recommendation

We recommend that to minimize the risk associated with improper segregation of duties the Human Resources function and other duties incompatible with Finance be assigned to other individuals within **the School** and we also recommend more involvement by the Board of Directors in the day-to-day operations of **the School** to minimize the risks associated with a lack of segregation of duties.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 9

MLC 2018-04 - Segregation of Duties, continued

Management's Response and Planned Corrective Action

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 10

MLC 2018-05 - Review and Approval

Condition

During the course of our audit we noted primarily all monthly accounting duties and account reconciliations (bank reconciliations, etc.) were performed by the Chief Financial Officer. However due to a lack of segregation of duties there is no review of those reconciliations by someone independent of the preparer.

Criteria

Review and approval of reports or transactions ensures that there is oversight and review to catch errors. It also helps to prevent fraud or theft because it requires two people to collude in order to hide a transaction.

Cause

The size and composition of **the School** and budgetary constraints are the primary reason for lack of review of someone independent of preparer of various reconciliations and reports.

Effect

There is no independent review of various financial reports and monthly reconciliations by someone other than preparer.

Recommendation

We recommend that the Finance department be expanded within budgetary constraints and that the Board take a more active involvement in the day-to-day operations of the Finance department to strengthen the review and approval process (independent of the preparer) of various functions and reports prepared within the Finance department.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 11

MLC 2018-05 - Review and Approval, continued

Management's Response and Planned Corrective Action

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 12

2018-06 – Minutes of Board of Directors

Condition

During the course of our audit and review of minutes of the Board of Directors and Finance Committee, we noted that not all significant matters discussed or decided at these meetings were included in the minutes (i.e. approval of significant contracts; policy and procedural changes, etc.) Additionally, significant delays were encountered in receipt of the minutes as a result of untimely preparation of minutes.

Criteria

Pursuant to Robert's Rules of Order, minutes are important because they are the only surviving record of what was said and done at the meeting. In preparing minutes, the minutes should include at a minimum: kind of meeting, name of organization, date time and location, members present, approval of previous minutes of meetings, motions made and disposition of motions and other matters as appropriate.

Cause

There appears to be a lack of training in the preparation of minutes of meetings.

Effect

Minutes do not reflect an accurate account of all matters discussed.

Recommendation

We recommend that matters such as pay raises, bonuses, loan transactions, the approval of significant contracts or agreements and procedural and policy changes be discussed, approved and documented in the Board minutes in a timely manner.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

Page 13

2018-06 – Minutes of Board of Directors, continued

Management's Response and Planned Corrective Action

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
CONTINUED

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana

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Status of Prior Year Management Letter Comments

	<u>Resolved</u>	<u>Partially Resolved</u>	<u>Unresolved</u>
2017-01 – Internal Controls Over Check Disbursements		X	
2017-02 – Accounting Policies and Procedures Manual		X	
2017-03 – Timeliness of Year-End Closeout		X	
2017-04 – Segregation of Duties		X	
2017-05 – Review and Approval		X	
2017-06 – Donated Materials	X		
2017-08 – Liability for Compensated Absences	X		

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various **School** personnel, and we will be pleased to discuss them in further detail at your convenience, to perform an additional study of these matters or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, others within **the School** and the Louisiana Legislative Auditor and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public documents.



BRUNO & TERVALON LLP

CERTIFIED PUBLIC ACCOUNTANTS

New Orleans, Louisiana

December 27, 2018

**EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.**

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED JUNE 30, 2018

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Member
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Joseph A. Akanji, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana

We have performed the procedures enumerated below which were agreed to by the management of **Edgar P. Harney Spirit of Excellence Academy, Inc. (the School)**, the Louisiana Department of Education and the Louisiana Legislative Auditor (the specified parties) on the performance and statistical data accompanying the annual financial statements of **the School** for the fiscal year ended June 30, 2018; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE), in compliance Louisiana Revised Statute 24:514 I. Management of **the School** is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

(CONTINUED)

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana – Page 2

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources (Schedule 1), continued**

Findings

We were not provided supporting documentation for eleven (11) of the twenty-five (25) transactions selected for testing to ascertain if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts on the schedule.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

Findings

We were not provided two (2) of ten (10) classroom roll books randomly. Additionally, six (6) out of ten (10) classroom roll books randomly selected indicated that the counts were misclassified.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

(CONTINUED)

To the Board of Directors
Edgar P. Harney Spirit of Excellence Academy, Inc.
New Orleans, Louisiana – Page 3

Education Levels/Experience of Public School Staff (NO SCHEDULE)

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management) including full-time teachers, principals and assistant principals by classification, as well as their level of education and experience and obtained management's representation that the data/listing is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

No difference noted.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation and ROTC or rehired retiree status, as well as full-time equivalents and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file and observed that each individuals salary, extra compensation and full-time equivalents were properly included in the PEP data (or equivalent listing prepared by management).

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

(CONTINUED)

To the Board of Directors

Edgar P. Harney Spirit of Excellence Academy, Inc.

New Orleans, Louisiana – Page 4

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to your attention that would have been reported to you.

The purpose of this report is intended solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of **the School** as required by Louisiana Revised Statute 24:514.I and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 27, 2018

**EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.**

**Schedules Required by State Law (R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2018**

Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 (Formerly Schedule 6) – Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

EDGAR P. HARNEY SPIRIT OF EXCELLENCE ACADEMY, INC.
New Orleans, Louisiana

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2018**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 823,886	
Other Instructional Staff Activities	0	
Instructional Staff Employee Benefits	293,211	
Purchased Professional and Technical Services	494,580	
Instructional Materials and Supplies	32,804	
Instructional Equipment	0	
Total Teacher and Student Interaction Activities		\$ 1,644,481
Other Instructional Activities		0
Pupil Support Activities	95,936	
Less: Equipment for Pupil Support Activities	0	
Net Pupil Support Activities		95,936
Instructional Staff Services	63,059	
Less: Equipment for Instructional Staff Services	0	
Net Instructional Staff Services		63,059
School Administration		
Less: Equipment for School Administration	475,307	
Net School Administration	0	475,307
Total General Fund Instructional Expenditures (Total of Column B)		\$ 2,278,783
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		0
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes	\$ 0	
Renewable Ad Valorem Tax	0	
Debt Service Ad Valorem Tax	0	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	0	
Sales and Use Taxes	0	
Total Local Taxation Revenue	\$ 0	
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property	\$ 0	
Earnings from Other Real Property	0	
Total Local Earnings on Investment in Real Property	\$ 0	
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax	\$ 0	
Revenue Sharing - Other Taxes	0	
Revenue Sharing - Excess Portion	0	
Other Revenue in Lieu of Taxes	0	
Total State Revenue in Lieu of Taxes	\$ 0	
Nonpublic Textbook Revenue	\$ 0	
Nonpublic Transportation Revenue	\$ 0	

See accompanying independent accountant's report on applying agreed-upon procedures.

EDGAR P. HARNEY SPIRIT OF EXCELLENCE ACADEMY, INC.
New Orleans, Louisiana

Class Size Characteristics
As of October 1, 2017

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	60%	53	28%	25	6%	5	6%	5
Elementary Activity Classes	65%	13	25%	5	5%	1	5%	1
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

**EDGAR P. HARNEY
SPIRIT OF EXCELLENCE ACADEMY, INC.**

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED JUNE 30, 2018



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING STATEWIDE AGREED-UPON PROCEDURES

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

We have performed the procedures enumerated below, which were agreed to by **Edgar P. Harney Spirit of Excellence Academy, Inc. (the School)** and the Louisiana Legislative Auditor (LLA), on the control and compliance areas identified in the LLA's Statewide Agreed-upon Procedures (SAUPs) for the year ended June 30, 2018 ("fiscal period"). **The School's** management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

PROCEDURES AND FINDINGS

The procedures and associated findings are as follows:

Written Policies and Procedures

Procedure

1. We obtained and inspected **the School's** written policies and procedures and observed that they address each of the following categories and subcategories:

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

Finding

We observed that the policies and procedures of **the School** do not include the monitoring and amending of the budget.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Finding

We observed that the purchasing policy in the *Accounting Policies and Procedures Manual* does not address how vendors are added to the vendor list and controls to ensure compliance with the public bid law.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- c) ***Disbursements***, including processing, reviewing, and approving.

No findings were noted.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Written Policies and Procedures, continued

- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.

Finding

We observed that the receipts/collections policy in the *Accounting Policies and Procedures Manual* does not address management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Finding

We observed that the payroll/personnel in the *Accounting Policies and Procedures Manual* does not address (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Written Policies and Procedures, continued

- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Finding

We observed that the contracting policy in the *Accounting Policies and Procedures Manual* does not address types of services requiring written contracts, standard terms and conditions, legal review or monitoring process.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- g) ***Credit Cards, (and debit cards, fuel cards, P-Cards, if applicable)*** including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

Finding

We observed that the *Accounting Policies and Procedures Manual* does not contain any policies on credit card control, allowable business use, documentation requirements, required approvers, or monitoring card usage.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Finding

We observed the travel and expense reimbursement policy included in the *Accounting Policies and Procedures Manual* does not address dollar thresholds by category of expense.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Written Policies and Procedures, continued

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Finding

We observed that Ethics is not addressed in the *Accounting Policies and Procedures Manual*.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Debt service is not applicable; **the School** had no debt during the fiscal period.

Board or Finance Committee

- 2. We obtained and inspected Board/Finance committee minutes for the fiscal period, as well as the Board's enabling legislation, charter, bylaws or equivalent document in effect during the fiscal period and:
 - a) Observe that the Board/Finance committee met with a quorum at least monthly or on a frequency in accordance with the Board's enabling legislation, charter, bylaws or other equivalent document.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Board or Finance Committee, continued

Finding

We observed that the Board met with a quorum every other month during the fiscal period and the Finance committee met only once during the fiscal period. It was verbally represented to us that the Board/Finance committee is scheduled to meet every other month however we were unable to observe any documentation specifying the frequency of Board/Finance committee meetings.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- b) For those entities reporting on the non-profit accounting model, we observed that the minutes referenced or included financial activity relating to public funds if those public funds comprised more that 10% of the entity's collections during the fiscal period.

No findings were noted.

- c) For governmental entities, we obtained the prior year audit report and observd the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not applicable.

Bank Reconciliations

- 3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Management identified the entity's main operating account and we randomly selected 4 additional accounts. We randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for each selected account and observed that:
 - a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Bank Reconciliations, continued

Finding

We observed that bank reconciliations did not include evidence that they were prepared within 2 months of the related statement closing date.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- b) Bank reconciliations included evidence that a member of management/Board member who does not handle cash, post ledgers or issue checks has reviewed each bank reconciliation.

Finding

We observed that bank reconciliations did not include evidence that a member of management/Board member who does not handle cash, post ledgers or issue checks has reviewed each bank reconciliation.

Management's response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No findings were noted.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Collections

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. **The School** had only one deposit site.

No findings were noted.

5. For the deposit site selected, we obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site and obtained and inspected written policies and procedures relating to employee job duties at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No findings were noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation.

No findings were noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No findings were noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No findings were noted.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Collections, continued

6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy theft.

No findings were noted.

7. We randomly selected two deposit dates for each of the bank accounts selected for procedures #3 under "Bank Reconciliations" above. We obtained supporting documentation for each of the deposits and:

- a) Observed that receipts are sequentially pre-numbered.

Finding

We were not provided documentation to observe that receipts are pre-numbered.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- b) Trace sequentially pre-numbered receipts, system reports and other related collection documentation the deposit slip.

Finding

We were not provided pre-numbered receipts, system reports and other related collection documentation to trace to the deposit slip.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Collections, continued

- c) Traced the deposit slip total to the actual deposit per the bank statement.

No findings were noted.

- d) Observed that the deposit was made within one business day of receipt at the collection location.

Findings

We were not provided documentation to ascertain that the deposit was made within one business day of receipt at the collection location.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- e) Traced the actual deposit per the bank statement to the general ledger.

No findings were noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements and petty cash purchases)

- 8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. **The School** processes payments at one (1) location.
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase and placing an order/making the purchase.

Finding

Generally, only one (1) employee is involved in initiating a purchase request, approving a purchase and placing an order/making the purchase.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements and petty cash purchases), continued

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- b) At least two employees are involved in processing and approving payments to vendors.

Finding

We observed that generally, only one (1) employee is involved in processing and approving payments to vendors.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Finding

We observed that generally, the same employee who is responsible for processing payments also is responsible for adding/modifying vendor files.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements and petty cash purchases), continued

Finding

We observed that generally, the same employee who is responsible for signing checks also processes payments and mails payments.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete.

No findings were noted.

We randomly selected five (5) disbursements from each location and obtained supporting documentation for each transaction and we:

- a) Observed that the disbursement matched the original invoice/billing statement.

Finding

We observed that for one (1) of the five (5) disbursements selected, no supporting invoice was provided.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- b) Observed that the disbursement documentation included evidence of segregation of duties tested under #9, as applicable.

Finding

We observed that for five (5) of the five (5) disbursements selected that the disbursement documentation did not include evidence of segregation of duties.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements and petty cash purchases), continued

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. We obtain from management a listing of all active credit cards, bank debit cards, fuel cards and P-cards for the fiscal period, including card numbers and the names of persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No findings were noted. Management represented that there were no active credit cards, bank debit cards, fuel cards and P-cards for the fiscal period.

12. Using the listing prepared by management, randomly select five (5) cards that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card, obtain supporting documentation and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Not applicable.

- b) Observe that finance charges and late fees were not assessed on selected statements.

Not applicable.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select ten (10) transactions from each statement and obtain supporting documentation for the transactions. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose and (3) documentation of the individuals participating in meals (for meal charges only).

Not applicable.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that listing or general ledger is complete.

Management verbally represented to us that there were no travel and travel-related expense reimbursements during the fiscal period and management also verbally represented that the general ledger is complete. No exceptions noted.

- a) If reimbursement using a per diem, agree the reimbursement rate to those rates established either by State of Louisiana or U.S. General Services Administration.

Not applicable.

- b) If reimbursed using actual cost, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not applicable.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose and other documentation as required by written policy.

Not applicable

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable.

Contracts

15. We requested from management a listing of all agreements/contracts for professional services, materials and supplies, leases and construction activities that were initiated or renewed during the fiscal period. We also requested management's representation that the listing was complete. Randomly select five (5) contracts from the listing.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Contracts, continued

Finding

We were not provided a listing of all agreements/contracts for professional services, materials and supplies, leases and construction activities that were initiated or renewed during the fiscal period. Our selection of five (5) contracts was selected from professional service payments as reflected in the general ledger.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- a) Observe that the contract was bid in accordance with the Louisiana Public Law.

Finding

We requested but were not provided the procurement documents for five (5) of the five (5) contracts selected to ascertain if the contract was bid in accordance with the Louisiana Public Bid Law.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law.

Finding

We were not provided documentation nor was it included in the minutes of meetings of the governing body/board approval of five (5) of the five (5) contracts selected.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Contracts, continued

- c) If the contract was amended, observe that the original contract terms provided for such an amendment.

Not applicable.

- d) We randomly selected one payment from the fiscal period for each of the five (5) contracts and requested the supporting invoice to agree the invoice to the contract terms and observed that the invoice and related payment agreed to the terms and conditions of the contract.

Finding

We were not provided an invoice for one (1) of the five (5) payments selected to ascertain that the invoice agreed to the terms and conditions of the contract.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

Payroll and Personnel

- 16. We obtained a listing of employees employed during the fiscal period and management's representation that the listing is complete. We randomly selected five (5) employees and obtained related paid salaries and personnel files and agreed paid salaries to authorized salaries/pay rates in the personnel files.

No findings were noted.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Payroll and Personnel, continued

17. We randomly selected one pay period during the fiscal period. For the five (5) employees selected under #16 above and obtained attendance records and leave documentation for the pay period and:

- a) Observe that all selected employees documented their daily attendance and leave.

No findings were noted.

- b) Observe that supervisors approved the attendance and leave of the selected employee.

No findings were noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative records.

No findings were noted.

18. Obtain a listing of those employees that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select to employees and obtain related documentation of the hours and pay rates used in management's termination payment calculations and agree the hours to the employees cumulative leave records and agree the pay rates to the employees authorized pay rates in the employees' personnel files.

No findings were noted.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums and workers compensation premiums have been paid and associated forms have been filed by the required deadlines.

Finding

Retirement contributions for the pay dates of October 15, 2017; October 31, 2017; November 15, 2017; November 30, 2017; December 15, 2017 and December 31, 2017 were not remitted by the required deadlines.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Payroll and Personnel, continued

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

Ethics

20. Using the five (5) randomly selected employees from procedure #16 under "***Payroll and Personnel***" above we requested ethics documentation from management and:

- a) Observed that the documentation demonstrates each employee completed one hour of ethics training during the fiscal period.

Finding

There was no documentation that demonstrated each employee completed one hour of ethics training during the fiscal period.

Managements Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

- b) Observe that the documentation demonstrates each employee attested through signature verification that he or she had read the entity's ethic's policy during the period.

Finding

There was no documentation that demonstrated that each employee attested through signature verification that he or she had read the entity's ethic's policy during the period.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments and agree actual reserve balance and payments to those required by debt covenants.

Not applicable.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Not applicable.

24. Observe that the entity has posted on its premises and website the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste or abuse of public funds.

Finding

We did not observe that the entity has posted on its premises and website the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste or abuse of public funds.

Management's Response

The Board of Directors of **Edgar P. Harney Spirit of Excellence Academy, Inc.** on December 7, 2018 decided by vote to surrender its charter to the Orleans Parish School Board (OPSB) effective January 7, 2019. As a result of the surrender of the charter, ultimate resolution of this matter rest with the management of the OPSB.

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

To the Board of Directors of
Edgar P. Harney Spirit of Excellence Academy, Inc.

We were not engaged to, and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion on management's assertions, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 27, 2018